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A Study of Perceptions of Investors Towards IPO Grading in India

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ABSTRACT

Initial Public Offering is considered to be the most outstanding matter for a firm. If a company, “being public” is just as foremost as “going public.” Small and new companies normally issues IPOs when they are in need of capital, but occasionally large companies also issue them for public trading. Company considered it a big commitment to be going public. Company way of doing business is going to be affected by this process of IPOs’. But offering an IPO is very vapid and more time is required for this. SEBI, from May 1, 2007, the Indian stock market regulator made it compulsory that all IPOs must be graded by a credit rating agency. But in very short span of time it was made optional by SEBI in 2013. In this paper it is tried to find out perceptions of investors towards IPO grading. This study is based on primary data collected through a well designed structured questionnaire from 200 investors from Delhi and Chandigarh.

1. INTRODUCTION

Revolutionary developments in IPOs’ market taken place in Indian stock market when SEBI initiated the concept of grading of IPOs and it was compulsory for all companies to get their IPOs graded by any credit agency from May 1, 2007. The idea of IPO grading was brought out by SEBI to safeguard the investors’ interests. Mandatory IPO grading was to prevent the fly-by-night promoters. Under IPO grading independent assessment of fundamentals of the new companies by Credit Rating Agencies registered with SEBI under the SEBI (Credit Rating Agencies) Regulations, 1999 was provided.

Concept of IPO Grading

According to SEBI, “The grade is going to represent an assessment of fundamentally of that issue relative to the other listed equities in India” It was expected that incremental reading interpretable and independent

information about IPOs are going to be provided by grades to investors and it was also claimed that it will help the investors in better assess the investment potential of IPOs. Two standard of evidence were behind this claim about financial market. Information asymmetry problem were faced by IPO market. Information asymmetry was the base of several IPO modes of under pricing (for example, Rock 1986, Benveniste and Spindt 1989), on the bases of these models, when the information asymmetry was greater than under pricing expected was higher. Firms were incentives to reduce the extent of under pricing. Firms were able to do so by the external certification .This signaling mechanisms were going to be used by issues including (a) reputations of underwriter's (b) Group affiliation (c) Venture capitalist presence in pre issue funding (d) essence of the board member age (e) credit rating among others.

IPO fundamentals are graded on a scale of five (grade 5 to grade 1):

IPO Grade 5: Strong Fundamentals

IPO Grade 4: Above Average Fundamentals

IPO Grade 3: Average Fundamentals.

IPO Grade 2: Below Average Fundamentals.

IPO Grade 1: Poor Fundamentals.

Benefits of IPO Grading

Some interesting benefits of IPO grading are:

- **Professional & Independent appraisal:** IPO grading is going to provide the company's fundamentals information to investors to take the right investment decision. IPOs grading makes it easy for the investors to understand the profile of the company
- **Removal of Information burden:** IPO grading provides the complex information of the company in very simple way to the investors. Small investors are going to be get benefitted with the help of IPOs grading as it becomes easy for them to understand which issue is going to be launch in the market.
- **Impediment for weak companies:** IPOs grading helps the investors to have full financial knowledge of fundamentally weak companies. Now week companies cannot enter in to the market with wrong financial information.
- **Improved investors sophistication:** IPO grading helps investors in taking the right decision as grades assigned by CRA does not depict the exact picture of the company but it makes the complicated things simpler and easier.

On 30 October 2013, in a review meeting SEBI, taking note of several reports on IPO grading noted, "Issues with grade 4 yielded high losses compared to other low grades. Retail investors, for whom IPO grading was introduced, subscribed fully or overwhelmingly subscribed to their portion in as many as 73 out of 86 (85%) 'Lower grade' IPOs (those with grades 1 or 2)." SEBI concluded that the reports showed that retail and institutional investors were not taking cues from grades. So SEBI made it optional.

So in this paper it is tried to find out whether investors were aware about the IPO grading concept introduced by SEBI and the step taken back by SEBI. Whether investors think that decision taken by SEBI to make IPO grading optional was correct.

2. REVIEW OF LITERATURE

S. No.	Name of the author	Paper	Year	Objectives	Test applied	Findings
1.	Garima Gupta Minakshi	Appraising Relevance Of IPO Grading In Investment Decision Of Equity Investors	2014	To analyses the relevance of IPO grading in the investment decisions of retail Investors and qualified institutional buyers	Regression analysis	Researchers found, while grading is meant for retail investors, but it has been used mainly by QIB's (qualified institutional buyers), awareness of the concept amongst the investor class is very low and there are no significant differences in the opinion of equity experts and equity investors towards IPO grading which is not highly positive towards Grading.
2.	Swati Mehta Nilesh Patel	IPO Performance And Its Relation With Retail Investors' Subscription And Grade	2014	1. To identify the relationship between IPO Grade and retail subscription. 2. To identify the relationship between IPO Grade and listing day gain. 3. To identify the failure rate of IPO according to grade	Chi-square, regression analysis	It has been identified that IPO grading and listing day returns are being associated
3.	S. Saravanan Dr.R. Satish	Does IPO grading positively influence retail investors? A quantitative study in Indian capital market	2014	1. To identify the relationship between credits rating of an IPO with listing days returns. 2. To identify the relationship between credit rating of an IPO with retail investors interest. 3. To identify the relationship between retail investors interest with listing day returns.	Chi square test is used.	Relationship between listing day returns and retail investors' interest is considered to be favorable and correlated moderately. relationship between credit rating and listing day returns is found
4.	Dr. Jigna Chandrakant Trivedi	"Study on awareness level and usage of IPO grading among investors of Gandhi Nagar City"	2013	1. To identify and appreciate the tools which are essential in conducting investment analysis 2. To study the meaning and significance of IPO grading	Mean, median, mode, standard deviation, frequency tabulation, per cent age, rank analysis and Garrett ranking were used for analysis. various parameters	The empirical research highlights that investors invest in IPO based to maximize wealth, considers it as a best investment option.
5.	Nikhil Ranjan Agarwal Dr. K.C. Gupta	"A Study Of Initial Public Offer (IPO) On Investor-Friendly Measures"	2013	This study concentrates on the decisions taken by the investors while investing in initial public offer.	The primary data is collected from Moradabad region of UP in India and the total number of proposed sample size is 100.	Grading is something, which is more relevant for debt issuance.

(Contd..)

<i>S. No.</i>	<i>Name of the author</i>	<i>Paper</i>	<i>Year</i>	<i>Objectives</i>	<i>Test applied</i>	<i>Findings</i>
6.	Jigna Trivedi BindiyaSoni	“Initial Public Offerings (IPOs): A Boon Or A Bane?”	2012	<ul style="list-style-type: none"> - To understand the meaning and importance of IPOs from the perspective of corporate and subscribers. - To subscribers of IPOs with respect to the duration from 2006 to 2010. - To explain the prerequisite importance of fundamental analysis before the subscription of an IPO. 	<p>A sample of 243 companies which came out with 100 percent book built IPO and got listed on National Stock Exchange (NSE) from the period commencing from 2006 to 2010 was taken as the primary dataset for the short run analysis.</p> <p>Compared to investment in the secondary market, investing in IPOs is a risky business as there is no track record of the performance of the stock. IPO subscription requires more fundamental research, because picking the wrong stock will erode the value of money and result in severe losses. Investors, before investing their kity in the stock, must study the fundamentals, IPO grade and prospectus, rather than blindly relying on the tips of given by brokers</p>	
7.	ManasMayur Sanjiv Mittal	Waves of Indian IPOs: Evolution and Trend	2011	This paper aims at understanding the waves and pattern of Indian IPOs	<p>A multivariate regression model is applied to empirically analyze issuers’ approach to market is hot, tried to maximize the total time their issue with hot market condition.</p> <p>Regression analysis is used</p>	<p>The result suggests that Market timers, identified as firms that go public when the market is hot, tried to maximize the total proceeds at the time of IPO.</p> <p>Bad rating can shake investor’s confidence, create panic in the market and can Really paralyze the system.</p>
8.	Kartikey Mahajan Mallikaanand	“Credibility of the IPO grading: Time to rethink”	2008	<ol style="list-style-type: none"> 1. To analyze the meaning and various dimensions of IPO grading 2. Critically examines the concept of IPO grading with respect to CRA’s 	<p>Regression analysis is used</p>	<p>Bad rating can shake investor’s confidence, create panic in the market and can Really paralyze the system.</p>

3. RESEARCH OBJECTIVES

1. To identify the level of awareness among investors regarding IPO grading Process
2. To determine investors confidence level and their preference keeping in mind the IPO grading while investing money
3. To analyze and evaluate the complex IPO grading process

4. ANALYSIS AND INTERPRETATION

Perception of the people is obtained from the survey and data analysis techniques have been used for evaluated the data. This Paper examines perception of Indian Investor's awareness towards the IPO grading process.

5. HYPOTHESES

The objective of the study is to whether Indian investors were aware about IPO grading process. To achieve this objective it is appropriate to test the perception of investors towards IPO grading process. Following hypothesis has been formulated to test accordingly:

Hypothesis 1: Indian investors were aware about IPO grading

Hypothesis 2: Indian investors were not familiar with IPO grading even they were not considering it while doing investment in stock market

6. RESEARCH METHODOLOGY OF STUDY

Data Source: Primary data has been used for this study .This Paper is based on primary data. Primary data has been collected with the help of Questionnaire.

Sampling Procedure: Approximately 200 respondents were selected for this study and convenience sampling has been used. The respondents were traders, brokers and individual investors. Out of the total respondents, 145 were males and 55 were females.

7. LIMITATION OF THE STUDY

1. Some investors were not interested in giving the responses
2. Because of lack of time and resources required Respondents may not be prepared to contribute to the research
3. True answers are not given by investors as there could be possibility of error in data collection
4. The study is limited to 200 investors only

8. ANALYSIS AND INTERPRETATION

Perception of the people is obtained from the survey and data analysis techniques have been used for evaluated the data. This study examines perception of Indian Investor's towards the IPO Grading Process.

Question 1: What is the annual income of investors?

Table 1.1
Relationship of Gender, Age and Education with Income of the Investors

Income	Gender		Age				Education			
	Male	Female	18-25	26-40	41-60	61 or above	Graduate	Post Graduate	Professional	Doctor
3 Lac-5 Lac	78 (78.00)	22 (22.00)	22 (22.00)	72 (72.00)	6 (6.00)	0 (0.00)	4 (4.00)	44 (44.00)	51 (51.00)	1 (1.00)
5 Lac-8 Lac	54 (62.79)	32 (37.21)	5 (5.81)	23 (26.74)	46 (53.49)	12 (13.95)	5 (5.81)	13 (15.12)	62 (72.09)	6 (6.98)
8 Lac-10 Lac	13 (92.86)	1 (7.14)	1 (7.14)	2 (14.29)	7 (50.00)	4 (28.57)	0 (0.00)	3 (21.43)	5 (35.71)	6 (42.86)
Chi-Square	.014 (Fisher's exact test)		.000				.000			

Data Interpretation: A question was asked from investors to know how many different males and females do the investment in IPOs according to their different Income level. As per Table 1.1, it was found that there were 78 male and 22 female investors who invested in IPOs and whose annual income varied between 3 to 5 lacs. There was only 13 male and 1 female investor whose annual income was between 8 to 10 lacs . So it showed that maximum investors who invested in IPOs their annual income lied between 3 to 5 lacs. The value of fisher’s exact test was .014 which showed the significant relation between gender and income level of investors.

Again an effort was made to check whether there was any relationship between age of the investors and income level. It was found that there were maximum 72 investors whose age was between 26 to 40 years and investment level was 3 to 5 lacs. Again there were 46 investors whose age lied between 41 to 60 years had income between 5 to 8 laces. There were maximum 7 investors whose age was between 41 to 60 years and having income level between 8 to 10 lacs. So it showed that maximum investment in IPOs was done by the people whose age was between 26 to 40 years. The value of chi square test was .000 which showed significant relation between age and income level of investors.

Again it was examine that whether there was any relationship between income level of investors and their education. There were 51 investors who were post graduated and whose income lied between 3 to 5 laces followed by Investors whose income was between 5 to 8 laces were professional and 62 in numbers. So it showed that maximum investors were professional whose income level was between 5 to 8 lacs rupees invested in IPOs. The value of chi square test was .000 which showed significant relation between education and income level of Investors

Question 2: Are you aware of the concept of IPO Grading?

Data Interpretation: A question was asked from different male and female investors to know whether they were aware about IPO grading. As per table 1.2, it was observed that there were 141 male and 52 female investors who were aware about IPO grading followed by 4 male and 3 female who said that they were not aware about IPO grading it was seen that most of the investors were aware about IPO grading. The value of fisher’s test was .396 which showed no significant relation between gender and awareness about the concept of IPO grading.

Table 1.2
Relationship of Gender, Age, Education and income with awareness about IPO grading

Variable	Gender		Age				Education				Income		
	Male	Female	18-25	26-40	41-60	61 or above	Graduate	Post Graduate	Professional	Doctor	3 Lac-5 Lac	5 Lac-8 Lac	8 Lac-10Lac
Aware	141 (73.06)	52 (26.94)	27 (13.99)	95 (49.22)	56 (29.02)	15 (7.77)	8 (4.15)	56 (29.02)	116 (60.10)	13 (6.74)	98 (50.78)	83 (43.01)	12 (6.22)
Not Aware	4 (57.14)	3 (42.86)	1 (14.29)	2 (28.57)	3 (42.86)	1 (14.29)	1 (14.29)	4 (57.14)	2 (28.57)	0 (0.00)	2 (28.57)	3 (42.86)	2 (28.57)
Chi-Square	.396		.708				.177				.604		

Again it was examined that whether there was any relationship between age of the investors and awareness about IPO grading concept. It was found that there were 95 investors of age group 26 to 40 years who were aware about IPO grading Followed by 2 investors of age group 26 to 40 years who were not aware about IPO grading so it was seen that most of the investors of age group 26 to 40 years are aware about IPO grading. The value of chi square test was .708 which showed no significant relation between age and awareness.

It was also tried to find that whether there were any relationship between education of the investors and awareness about IPO grading concept. It was found that there were 116 investors who were aware about IPO grading concept followed by 2 investors who were not aware about IPO grading concept so it was seen that most of the investors were professional and aware about IPO grading concept. The value of chi square test was .177 which showed no significant relation between education and awareness it was also investigated that whether there was any relationship between income of the investor and awareness about IPO grading concept

It was found that there were 98 investors whose annual income was between 3 to 5 lacs and aware about IPO grading concept followed by 3 investors having annual income from 3 to 5 lac were not aware about IPO grading concept . So it was seen that most of the investors were aware about IPO. The value of chi square test was .604 which showed no significant relation between income and awareness about the concept of IPO grading.

Question 3: IPO Grading influences investment.

Table 1.3
Relationship of Gender, Age, Education and income with influence of IPO grading on Investment

Variable	Gender		Age				Education				Income		
	Male	Female	18-25	26-40	41-60	61 or above	Graduate	Post Graduate	Professional	Doctor	3 Lac-5 Lac	5 Lac-8 Lac	8 Lac-10Lac
Yes	85 (75.22)	28 (24.78)	13 (11.50)	50 (44.25)	39 (34.51)	11 (9.73)	8 (7.08)	29 (25.66)	65 (57.52)	11 (9.73)	49 (43.36)	53 (46.90)	11 (9.73)
No	60 (68.97)	27 (31.03)	15 (17.24)	47 (54.02)	20 (22.99)	5 (5.75)	1 (1.15)	31 (35.63)	53 (60.92)	2 (2.30)	51 (58.62)	33 (37.93)	3 (3.45)
Chi-Square	.342		.150				.021				.050		

Data Interpretation: A question was asked from different male and female investors to know IPO Grading influences investment. It was observed as per Table 1.3 that there were 85 male and 28 female investors who thought that IPO Grading influences investment followed by 60 male and 27 female who said that they did not think that IPO Grading influences investment it was seen that most of the investors thought that IPO Grading influences investment. The value of chi square test was .342 which showed no significant relation between gender and opinion that IPO grading influences investment.

Again it was examined that whether there was any relationship between age of the investors and investors thinking about influence of IPOs grading on investment. It was found that there were 50 investors of age group 26 to 40 years who said that IPO Grading influences investment Followed by 47 investors of age group 26 to 40 years who did not think that IPO Grading influences investment so it was seen that most of the investors of age group 26 to 40 years thought that IPO Grading influences investment. The value of chi square test was .150 which showed no significant relation between age and opinion that IPO grading influences investment.

It was also tried to explore that whether there was any linkage between investor’s education and investors thinking about influence of IPOs grading on investment. It was found that there were 65 investors who think that IPO Grading influences investment followed by 53 investors who did not think that IPO Grading influences investment so it was seen that most of the investors were professional and thought that IPO Grading influences investment. The value of chi square test was .021 which showed no significant relation between education and opinion that IPO grading influences investment.

It was also investigated that whether there was any relationship between income of the investor and investors thinking about influence of IPOs grading on investment. It was found that there were 53 investors whose annual income was between 5 to 8 lacs who thought that IPO Grading influences investment followed by 3 investors having annual income from 3 to 5 lac who did not think that IPO Grading influences investment. So it was seen that most of the investors were aware about IPO and thought that IPO Grading influences investment. The value of chi square test was .050 which showed no significant relation between income and opinion that IPO grading influences investment.

Question 4: Are you aware when IPO grading was made mandatory in India.

Table 1.4
Relationship of Gender, Age, Education and income with concept of mandatory IPO grading

Variable	Gender		Age				Education				Income		
	Male	Female	18-25	26-40	41-60	61 or above	Graduate	Post Graduate	Professional	Doctor	3 Lac- 5 Lac	5 Lac- 8 Lac	8 Lac -10Lac
Yes	82 (70.69)	34 (29.31)	18 (15.52)	48 (41.38)	39 (33.62)	11 (9.48)	8 (6.90)	34 (29.31)	65 (56.03)	9 (7.76)	51 (43.97)	56 (48.28)	9 (7.76)
No	63 (75.00)	21 (25.00)	10 (11.90)	49 (58.33)	20 (23.81)	5 (5.95)	1 (1.19)	26 (30.95)	53 (63.10)	4 (4.76)	49 (58.33)	30 (35.71)	5 (5.95)
Chi-Square	.525		.128				.199				.134		

Data Interpretation: A question was asked from different male and female investors to know whether they are aware when IPO grading was made mandatory in India. It was observed in Table 1.4 that there

are 82 male and 34 female investors who were aware followed by 63 male and 21 female who says that they were not aware it was seen that investors were partially aware. The value of fisher's exact test was .525 which showed no significant relation between gender and awareness regarding mandatory IPO grading in India.

Again it was examined that whether there was any relationship between age of the investors and awareness regarding mandatory IPO grading in India. It was found that there were 48 investors of age group 26 to 40 years Followed by 49 investors of age group 26 to 40 years were not aware when IPO grading was made mandatory in India so it was seen that most of the investors of age group 26 to 40 years were partially aware about IPO grading. The value of chi square test was .128 which showed no significant relation between age and awareness regarding mandatory IPO grading in India.

It was also tried to find that whether there was any relationship between education of the investors and awareness about mandatory IPO grading in India. It was found that there were 65 investors followed by 53 investors who were not aware At last it was seen that most of the investors were professional and aware. The value of chi square test was .199 which showed no significant relation between education and awareness regarding mandatory IPO grading in India

It was also investigated that whether there was any relationship between income of the investor and awareness when IPO grading was made mandatory in India. It was found that there were 56 investors whose annual income was between 5 to 8 lacs and aware when IPO grading was made mandatory in India followed by 49 investors having annual income from 3 to 5 lac who were not aware when IPO grading was made mandatory in India. So it was seen that most of the investors were aware about IPO and they knew when it was made mandatory in India. The value of chi square test was .134 which showed no significant relation between income and awareness regarding mandatory IPO grading in India.

Question 5: Is IPO grading useful only to retail investors?

Table 1.5
Perception of investors towards usefulness of IPO grading to retail investors

<i>Strongly Disagree</i> (1)	<i>Disagree</i> (2)	<i>Neutral</i> (3)	<i>Agree</i> (4)	<i>Strongly Agree</i> (5)	<i>Mean score</i>
79 (39.50)	35 (17.50)	43 (21.50)	24 (12.00)	19 (9.50)	2.35

Explanation: This question was asked from investors to know whether IPO grading useful only to retail investors. As per Table 1.5, there were 39.50 percent of total respondents were strongly disagree with this statement followed by 17.50 percent of total investors who were disagree with this statement, followed by 21.50 percent of total investors were not having opinion regarding the grading of IPO useful to retail investors .Again there were 12 percent of total investors who were agree to the statement followed by 9.50 percent of investors who were agree followed by 9.50 percent of total investors who were strongly agree .The mean score of the respondents were 2.35 which shows that investors opinion were between disagree to neutral.

Question 6: Do high graded IPOs lead to more listing day gain as low graded IPOs?

Table 1.6
Perception of investors about high graded IPOs lead to more listing day gain as low graded IPOs

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
8 (4.00)	72 (36.00)	73 (36.50)	33 (16.50)	14 (7.00)	2.87

Data Interpretation: This question was asked from investors to know whether high graded IPOs lead to more listing day gain as low graded IPOs. As per Table 1.6, There were 4.00 percent of total respondents were strongly disagree with this statement followed by 36.0 percent of total investors who were disagree with this statement, followed by 36.50 percent of total investors were not having opinion regarding this statement. Again there were 16.50 percent of total investors who were agree to the statement followed by 16.50 percent of investors who were agree to the given statement followed by 7.00 percent of total investors who were strongly agree to the given statement. The mean score of the respondents were 2.87 which shows that investors opinion were near to neutral means investors were not having any opinion related to that high graded IPO lead to more listing day gain as low graded IPOs.

Questions 7: Do the difficulties faced by inventors while investing in IPOs discourage the investment in IPOs?

Table 1.7
Perception of investors about difficulties faced by inventors while investing in IPOs discourage the investment in IPOs

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
17 (8.50)	30 (15.00)	75 (37.50)	52 (26.00)	26 (13.00)	3.2

Data Interpretation: This question was asked from investors to know that whether difficulties faced by investors while investing in IPOs discourage the investment .As defined in table 1.7, there were 8.50 percent of total respondents were strongly disagree with this statement followed by 15.00 percent of total investors who were disagree with this statement, followed by 37.50 percent of total investors were not having opinion regarding this statement. Again there were 26.00 percent of total investors who were agree to the statement followed by 13.00 percent of investors who were strongly agree to the given statement. The mean score of the respondents were 3.2 which shows that investors opinion were near to neutral means investors were not having any opinion related to that difficulties faced by inventors while investing in IPOs discourage the investment in IPOs.

Questions 8: Do you think that scams happened in the past also effect the decision of the investors?

Table 1.8
Perception of investors about scams happened in the past also effect the investor’s decision

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
71 (35.50)	46 (23.00)	16 (8.00)	44 (22.00)	23 (11.50)	2.51

Data Interpretation: This question was asked from investors to know what think that scams happened in the past also effect the decision of the investors. As per Table 1.8, there were 35.50 percent of total respondents were strongly disagree with this statement followed by 23 percent of total investors who were disagree with this statement, followed by 8 percent of total investors were not having opinion regarding this statement. Again there were 22 percent of total investors who were agree to the statement followed by

11.50 percent of investors who were strongly agree. The mean score of the respondents were 2.51 which shows that investors opinion were near to neutral means investors were not having any opinion related to scams happened in the past also effect the decision of the investors.

Questions 9: Do you think external market conditions also influence your investment decision in IPOs.

Table 1.9
Perception of investors about external market conditions also influence investment decisions

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
21 (10.50)	62 (31.00)	53 (26.50)	50 (25.00)	14 (7.00)	2.87

Data Interpretation: This question was asked from investors to know what they think that external market conditions also influence your investment decision in IPOs. As per Table 5.20, there were 10.50 percent of total respondents were strongly disagree with this statement followed by 31.00 percent of total investors who were disagree with this statement, followed by 26.50 percent of total investors were not having opinion regarding this statement. Again there were 25 percent of total investors who were agree to the statement followed by 7 percent of investors who were strongly agree to the given statement. The mean score of the respondents were 2.87 which shows that investors opinion were near to neutral means investors were not having any opinion related to external market conditions also influence your investment decision in IPOs.

Question 10: Do you think IPO confuse/mislead/misguide the investors.

Table 1.10
Perception of investors about IPO confuse/mislead/misguide the investors

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
28 (14.00)	36 (18.00)	92 (46.00)	35 (17.50)	9 (4.50)	2.81

Data Interpretation: This question was asked from investors to know does IPO confuse/mislead/misguide the investors. As per Table 1.10, there were 14 percent of total respondents were strongly disagree with this statement followed by 18 percent of total investors who were disagree with this statement, followed by 46 percent of total investors were not having opinion regarding this statement. Again there were 17.50 percent of total investors who were agree to the statement followed by 4.50 percent of investors who were strongly agree .The mean score of the respondents were 2.81 which shows that investors opinion were near to neutral means investors were not having any opinion that IPO confuse/mislead/misguide the investors.

Question 11: Should the Mandatory IPO grading system to be continued in India?

Table 1.11
Perception of investors about Mandatory IPO grading system to be continued in India

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
22 (11.00)	46 (23.00)	58 (29.00)	49 (24.50)	25 (12.50)	3.05

Data Interpretation: This question was asked from investors to know should the Mandatory IPO grading system to be continue in India. As per Table 1.11, there were 11 percent of total respondents were strongly

disagree with this statement followed by 23 percent of total investors who were disagree with this statement, followed by 29 percent of total investors were not having opinion. Again there were 24.50 percent of total investors who were agree followed by 12.50 percent of investors who were strongly agree. The mean score of the respondents were 3.05 which shows that investors opinion were near to neutral means investors were not having any opinion related to Mandatory IPO grading system to be continue in India.

Question 12: Do you think that IPO grades reflect the Business & competitive position of the company?

Table 1.12

Perception of investors about IPO grades reflect the Business & competitive position of the company

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
23 (11.50)	31 (15.50)	46 (23.00)	58 (29.00)	42 (21.00)	3.33

Data Interpretation: This question was asked from investors to know do grades reflect the Business & competitive position of the company. As per Table 1.12, there were 11.50 percent of total respondents were strongly disagree followed by 15.50 percent of total investors who were disagree, followed by 23 percent of total investors were not having opinion regarding this statement. Again there were 29 percent of total investors who were agree to the statement followed by 21 percent of investors who were strongly agree to the given statement. The mean score of the respondents were 3.33 which shows that investors opinion were near to neutral means investors were not having any opinion related to IPO grades reflect the Business & competitive position of the company.

Question 13: Does an IPO grade which indicates above average or strong fundamentals mean one could subscribe safety to the issue?

Table 1.13

Perception of investors about an IPO grade which indicates above average or strong fundamentals mean one could subscribe safety to the issue

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
24 (12.00)	36 (18.00)	62 (31.00)	47 (23.50)	31 (15.50)	3.13

Data Interpretation: It was tried to investigate from investors does an IPO grade which indicates strong fundamentals mean one can go for this issue. As per 1.13 there were 12 percent of total respondents were strongly disagree with this statement followed by 18 percent of total investors who were disagree with this statement, followed by 31 percent of total investors were not having opinion regarding this statement. Again there were 23.50 percent of total investors who were agreed to the statement followed by 15.50 percent of investors who were strongly agree. The mean score of the respondents were 3.13 which shows that investors opinion were near to neutral means investors were not having any opinion related to an IPO grade.

Question 14: Does the brand name of the company influence the investment of retail investor?

Table 1.14

Perception of investors about brand name of the company influence the investment of retail investor

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
22 (11.00)	40 (20.00)	58 (29.00)	46 (23.00)	34 (17.00)	3.15

Data Interpretation: This question was asked from investors to know does the brand name of the company influence the investment of retail investor. As per Table 1.14, there were 11 percent of total respondents were strongly disagree with this statement followed by 20 percent of total investors who were disagree with this statement, followed by 29 percent of total investors were not having opinion regarding this statement. Again there were 23 percent of total investors who were agree to the statement followed by 17 percent of investors who were strongly agree to the given statement. The mean score of the respondents were 3.15 which shows that investors opinion were near to neutral means investors were not having any opinion related that brand name of the company influence the investment of retail investor.

Question 15: Does IPO grading add value to the book building process?

Table 1.15
Perception of investors about IPO grading add value to the book building process

<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>	<i>Mean Score</i>
42 (21.00)	43 (21.50)	49 (24.50)	43 (21.50)	23 (11.50)	2.81

Data Interpretation: This question was asked from investors to know Does IPO grading add value to the book building process? As per Table 1.15, there were 21 percent of total respondents were strongly disagree with this statement followed by 21.50 percent of total investors who were disagree with this statement, followed by 24.50 percent of total investors were not having opinion regarding this statement. Again there were 21.50 percent of total investors who were agreed to the statement followed by 11.50 percent of investors who were strongly. The mean score of the respondents were 2.81 which shows that investors opinion were near to neutral means investors were not having any opinion related to IPO grading add value to the book building process.

9. CONCLUSION

It can be concluded from this Paper that IPO is no more risky investment and role played by SEBI is very important. It can be observed that most of investors have shown belief in IPO and they do invest in IPO. Despite of too much price volatility, price manipulation and corporate fraud investors still have confidence in this investment tools. Most of the investors were aware about the IPO grading and even they were considering the grading before Investment. Most of investors were in favor that mandatory grading system should be introduced again in India.

Suggestions

SEBI in order to give better understanding of the capital market they should make the procedures easier and convenient. Although investors start knowing about the concept of IPO grading, but in very short span of time SEBI made it optional. So SEBI should make it mandatory because investors were having a broad vision about firm performance with the help of Grading.

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